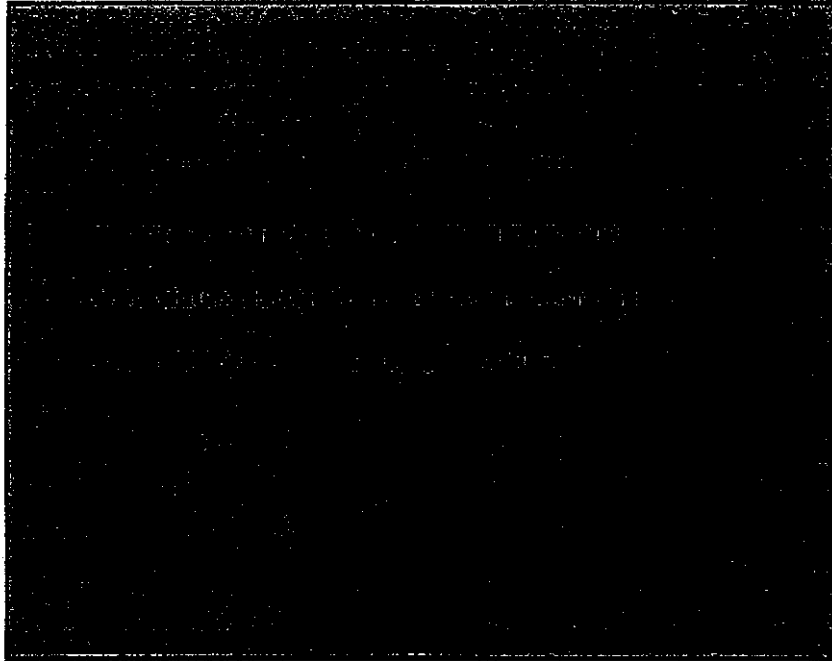


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CHAMPION PRODUCTS EUROPE LIMITED**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

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CHAMPION PRODUCTS EUROPE LIMITED**DIRECTORS AND OTHER INFORMATION**

CURRENT DIRECTORS

Sauro Mambrini
Gigetto Furlotti
Jonathan Lyons (Managing Director)
Enrico Verneti

SECRETARY

Matsack Trust

REGISTERED OFFICE

Unit 4B, Block 2
Blanchardstown Corporate Park
Blanchardstown
Dublin 15.

AUDITORS

Deloitte & Touche
Chartered Accountants
Deloitte & Touche House
Earlsfort Terrace
Dublin 2.

BANKERS

Bank of Ireland
Main Street
Blanchardstown
Dublin 15.

SOLICITORS

Matheson Ormsby Prentice
30 Herbert Street
Dublin 2.

CHAMPION PRODUCTS EUROPE LIMITED**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company are the sourcing and development of footwear and NBA products, the sale of footwear to affiliate group companies, the sale of sporting goods in Ireland and UK to retailers, the management and protection of the Champion trademark and the charging of royalties for the use of the Champion trademark to affiliate group companies and third party distributors.

The profit and loss account, together with the dividends paid during the year ended 30 June 2005, is set out on page 10.

DIRECTORS

The current directors are set out on page 2. Bernd Millien resigned as managing director on the 15 October 2004. Jonathan Lyons was appointed as managing director on the 26 May 2005.

DIRECTORS' AND SECRETARY'S INTERESTS

The directors and secretary of the company who held office at 30 June 2005:

- had no interests in the shares and debentures of the company
- had the following beneficial interests in the share capital of Champion Europe SPA, the ultimate parent:

	30 June 2005	30 June 2004
	%	%
Sauro Mambrini	64.3	65.7
Gigetto Furlotti	3.9	3.7
Enrico Vernetti	0.2	0.2

The directors had no other beneficial interests in the share capital of any other parent or related companies at 30 June 2005, or at any time in the year ended on that date.

CHAMPION PRODUCTS EUROPE LIMITED**DIRECTORS' REPORT (CONTINUED)**

BOOKS OF ACCOUNT

To ensure that proper books and accounting records are kept in accordance with Section 202 of the Companies Act, 1990, the directors have employed appropriately qualified accounting personnel and have maintained appropriate computerised accounting systems. The books of account are located at the company's office at Unit 4B, Block 2, Blanchardstown Corporate Park, Blanchardstown, Dublin 15.

POST BALANCE SHEET EVENTS

There have been no significant events since the balance sheet date.

AUDITORS

Deloitte & Touche, Chartered Accountants, will continue in office as auditors in accordance with Section 160(2) of the Companies Act 1963.

Signed on behalf of the Board :

Jonathan Lyons

)

Enrico Verneti

)

)

DIRECTORS

28 October 2005

CHAMPION PRODUCTS EUROPE LIMITED**STATEMENT OF THE DIRECTORS' RESPONSIBILITIES**

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2005 and the European Communities (Companies: Group Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Deloitte.

Deloitte & Touche
Chartered Accountants &
Registered Auditors

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHAMPION PRODUCTS EUROPE LIMITED

We have audited the financial statements of Champion Products Europe Limited for the year ended 30 June 2005 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Accounting Policies and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as set out in the Statement of Directors' Responsibilities, the preparation of the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, auditing standards as promulgated by the Auditing Practices Board in Ireland and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2005 and the European Communities (Companies: Group Accounts) Regulations, 1992. We also report to you whether in our opinion: proper books of account have been kept by the company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the company's balance sheet and profit and loss account are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not given and, where practicable, include such information in our report.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it. Our responsibilities do not extend to other information.

Basis of audit opinion

We conducted our audit in accordance with the auditing standards issued by the Auditing Practices Board and generally accepted in Ireland. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Continued on the next page/

Member of
Deloitte Touche Tohmatsu

Deloitte.*/Continued from previous page***INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CHAMPION PRODUCTS EUROPE LIMITED**

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2005 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the company. The company's balance sheet and its profit and loss account are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 30 June 2005 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

28 October 2005

CHAMPION PRODUCTS EUROPE LIMITED**STATEMENT OF ACCOUNTING POLICIES**

BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2005 and the European Communities (Companies: Group Accounts) Regulations, 1992.

ACCOUNTING CONVENTION

The financial statements are stated and prepared in Euro under the historical cost basis of accounting.

TURNOVER

Turnover comprises of royalties invoiced to affiliate group companies and the invoiced value, net of value added tax, of goods sold by the company.

FIXED ASSETS AND DEPRECIATION

Fixed assets are stated in the balance sheet at cost less accumulated depreciation.

Depreciation is calculated on a straight line basis to write off the assets over their estimated useful lives as follows:-

	Useful lives
Computer equipment	3 years
Fixtures and fittings	5 years
Motor vehicles	3 years

FINANCIAL FIXED ASSETS

Investments in subsidiary undertakings are carried at cost less provisions for impairments in value.

INTANGIBLE ASSETS AND AMORTISATION**Trade marks**

Trade marks are stated at cost of registration and related costs and are amortised to the profit and loss account over their estimated useful life of 20 years.

Goodwill

Goodwill is amortised in the profit and loss account over 5 years.

STOCKS

Stocks are valued at the lower of cost and net realisable value. Cost is calculated on the FIFO basis.

CHAMPION PRODUCTS EUROPE LIMITED**STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at a contracted rate.

The effect of these adjustments is reflected in the profit and loss account.

The resulting monetary assets and liabilities denominated in foreign currencies are translated to Euro at the exchange rates ruling at the balance sheet date.

PENSIONS

The company operates a defined contribution pension scheme. The cost of providing pensions to employees is charged to the profit and loss account as incurred over the period of employment of pensionable employees.

LEASED ASSETS

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

TAXATION

Corporation tax is provided on taxable profits at current rates.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent that they are regarded as recoverable.

CONSOLIDATED FINANCIAL STATEMENTS

The company is the parent entity of a medium sized group and the company is therefore exempt from the requirement to prepare consolidated financial statements by virtue of Regulation 7 of the European Communities (Companies : Group Accounts) Regulations, 1992. Consequently these financial statements deal with the results of the company as a single entity.

CHAMPION PRODUCTS EUROPE LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2005**

	Notes	2005 €	2004 €
TURNOVER	1	21,789,861	24,927,392
Cost of sales		(7,256,425)	(9,666,421)
GROSS PROFIT		14,533,436	15,260,971
Administrative expenses		(8,157,993)	(7,869,089)
OPERATING PROFIT		6,375,443	7,391,882
Other income	3	19,423	53,286
Interest payable and similar charges	4	(53,306)	(59,633)
Loss on disposal of fixed assets		(8,179)	-
PROFIT BEFORE TAXATION	5	6,333,381	7,385,535
Taxation	6	(906,252)	(1,120,027)
PROFIT AFTER TAXATION		5,427,129	6,265,508
Dividends	7	(6,500,000)	(5,000,000)
Dividend Income		1,197	-
(LOSS)/PROFIT AFTER DIVIDEND RETAINED		(1,071,674)	1,265,508
Profit and loss account at beginning of year		4,475,937	3,210,429
Profit and loss account at end of year		3,404,263	4,475,937

The results derive from continuing activities.

The financial statements were approved by the Board of Directors on 28 October 2005 and signed on its behalf by:

Jonathan Lyons)	
)	DIRECTORS
Enrico Verneti)	

CHAMPION PRODUCTS EUROPE LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2005**

	2005 €	2004 €
Profit for the year attributable to ordinary shareholders	5,427,129	6,265,508
Foreign exchange translation of UK Branch	43,652	38,359
Total recognised gains and losses in the year	<u>5,470,781</u>	<u>6,303,867</u>

CHAMPION PRODUCTS EUROPE LIMITED

BALANCE SHEET AS AT 30 JUNE 2005

	Notes	2005 €	2004 €
FIXED ASSETS			
Tangible assets	8	65,236	114,845
Financial assets	9	32,354	32,354
Intangible assets	10	9,066,164	9,555,727
		<u>9,163,754</u>	<u>9,702,926</u>
CURRENT ASSETS			
Stocks	11	445,127	440,186
Debtors	12	2,708,497	3,746,589
Bank and cash		60,649	82,977
		<u>3,214,273</u>	<u>4,269,752</u>
CREDITORS : (Amounts falling due within one year)	13	<u>(6,606,923)</u>	<u>(6,319,189)</u>
NET CURRENT LIABILITIES		<u>(3,392,650)</u>	<u>(2,049,437)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,771,104</u>	<u>7,653,489</u>
CREDITORS : (Amounts falling due after more than one year)	14	<u>(1,323,189)</u>	<u>(2,139,193)</u>
NET ASSETS		<u>4,447,915</u>	<u>5,514,296</u>
CAPITAL AND RESERVES			
Called-up share capital	15	1,000,000	1,000,000
Profit and loss account	16	3,447,915	4,514,296
SHAREHOLDERS' FUNDS - EQUITY	16	<u>4,447,915</u>	<u>5,514,296</u>

The financial statements were approved by the Board of Directors on 28 October 2005 and signed on its behalf by:

Jonathan Lyons)
) DIRECTORS
 Enrico Vernetti)

CHAMPION PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. TURNOVER	2005 €	2004 €
Italy	10,009,147	10,438,988
UK and Ireland	7,233,526	9,009,526
Other Europe	4,547,188	5,478,878
	<u>21,789,861</u>	<u>24,927,392</u>
	<u>21,789,861</u>	<u>24,927,392</u>
2. STAFF COSTS	2005 €	2004 €
Wages and salaries	1,083,847	1,074,220
Social welfare costs	101,501	101,807
Other pension costs	59,430	56,510
	<u>1,244,778</u>	<u>1,232,537</u>
	<u>1,244,778</u>	<u>1,232,537</u>

The average number of persons employed by the company was 15 (2004: 16) and is analysed into the following categories:

	Number	Number
Management	7	7
Administration	8	8
Sales	-	1
	<u>15</u>	<u>16</u>
	<u>15</u>	<u>16</u>

3. OTHER INCOME	2005 €	2004 €
Interest receivable	19,423	53,286
	<u>19,423</u>	<u>53,286</u>
	<u>19,423</u>	<u>53,286</u>
4. INTEREST PAYABLE AND SIMILAR CHARGES	2005 €	2004 €
Interest payable in respect of parent company loan	39,192	56,120
Other charges	14,114	3,513
	<u>53,306</u>	<u>59,633</u>
	<u>53,306</u>	<u>59,633</u>

CHAMPION PRODUCTS EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

5. PROFIT BEFORE TAXATION	2005	2004
	€	€
The profit before taxation is stated after charging/(crediting):		
Auditors' remuneration	11,900	11,900
Amortisation of trademarks	571,665	569,454
Amortisation of negative goodwill	(651)	(43,901)
Depreciation of tangible assets	44,442	63,247
Translation loss/(gain) on loan from parent company	6,858	(102,614)
Directors' remuneration – for management	141,101	177,500
Directors' compensation for loss of office	200,000	-
Rentals payable under operating leases:		
Hire of motor vehicles	24,504	29,197
Rental of premises	40,622	53,453
	<u> </u>	<u> </u>
 6. TAXATION	 2005	 2004
	€	€
Corporation tax on the profit for the year	905,318	1,208,210
Under/(over) provision in prior year	934	(88,183)
	<u>906,252</u>	<u>1,120,027</u>
	<u> </u>	<u> </u>
Factors affecting tax charge for the year:		
Profit on ordinary activities before taxation	6,333,381	7,385,535
	<u> </u>	<u> </u>
Profit on ordinary activities at standard rate of corporation tax of 12.5%	791,673	923,192
Taxation effects of:		
Items disallowed for tax purposes	67,836	58,333
Tax rate differences	(88,723)	(66,841)
Tax incurred on overseas earnings	134,532	293,526
	<u>905,318</u>	<u>1,208,210</u>
	<u> </u>	<u> </u>

There are no material deferred tax assets or liabilities as at 30 June 2005.

CHAMPION PRODUCTS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

7. DIVIDENDS	2005	2004
	€	€
Interim dividend paid of € 6.50 (2004: €5.00) per ordinary share	6,500,000	5,000,000

8. TANGIBLE ASSETS

	Computer Equipment €	Fixtures & Fittings €	Motor Vehicles €	Total €
Cost				
At 1 July 2004	79,105	179,810	27,011	285,926
Additions	9,762	1,332	0	11,094
Disposals	(4,589)	(83,919)	0	(88,508)
At 30 June 2005	<u>84,278</u>	<u>97,223</u>	<u>27,011</u>	<u>208,512</u>
Depreciation				
At 1 July 2004	38,724	109,098	23,259	171,081
Charge for year	20,480	20,210	3,752	44,442
Disposals	(4,237)	(68,010)	0	(72,247)
At 30 June 2005	<u>54,967</u>	<u>61,298</u>	<u>27,011</u>	<u>143,276</u>
Net book value				
At 30 June 2005	<u>29,311</u>	<u>35,925</u>	<u>0</u>	<u>65,236</u>
At 30 June 2004	<u>40,381</u>	<u>70,712</u>	<u>3,752</u>	<u>114,845</u>

9. FINANCIAL ASSETS	2005	2004
	€	€
Unlisted – at cost		
Shares in subsidiary undertakings:		
Champion International Trademarks Sàrl	27,544	27,544
Share in Affiliated Company:		
Champion Benelux NV	4,810	4,810
	<u>32,354</u>	<u>32,354</u>

The company owns 100% of the issued ordinary share capital of Champion International Trademarks Sàrl, a company incorporated in Switzerland. The registered office is located at 14 Avenue Man Repos, Lausanne, Switzerland. The company holds Champion International trademark registrations. At 30 June 2005, the net assets for the subsidiary were €20,204 (2004: €17,856) and the net loss for the year was € 2,327 (2004: Loss €11,922).

CHAMPION PRODUCTS EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

10. INTANGIBLE ASSETS	Trademarks €	Negative Goodwill €	Total €
Cost			
At 1 July 2004	11,403,185	(213,866)	11,189,319
Additions	54,047	27,402	81,449
At 30 June 2005	<u>11,457,232</u>	<u>(186,464)</u>	<u>11,270,768</u>
Amortisation			
At 1 July 2004	(1,788,358)	154,766	(1,633,592)
Charge for the year	(571,663)	651	(571,012)
At 30 June 2005	<u>(2,360,021)</u>	<u>155,417</u>	<u>(2,204,604)</u>
Net book value	9,097,211	(31,047)	9,066,164
At 30 June 2005	<u>9,097,211</u>	<u>(31,047)</u>	<u>9,066,164</u>
At 30 June 2004	<u>9,614,827</u>	<u>(59,100)</u>	<u>9,555,727</u>

11. STOCKS	2005 €	2004 €
Finished goods for resale	445,127	440,186
	<u>445,127</u>	<u>440,186</u>

The replacement cost of stock does not differ materially from the amounts stated above.

12. DEBTORS: (Amounts due within one year)	2005 €	2004 €
Trade debtors	1,573,855	914,650
VAT	-	2,931
Prepaid expenses	332,045	345,319
Amounts due from group companies	802,597	2,483,689
	<u>2,708,497</u>	<u>3,746,589</u>

CHAMPION PRODUCTS EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

13. CREDITORS : (Amounts falling due within one year)	2005	2004
	€	€
Trade creditors	1,473,304	1,360,929
VAT	368,861	-
Amounts due to group companies	2,973,805	2,213,798
Accrued expenses	494,087	2,429,778
Corporation tax	150,806	314,684
Bank overdraft	1,146,060	-
	<u>6,606,923</u>	<u>6,319,189</u>
14. CREDITORS : (Amounts falling due after more than one year)	2005	2004
	€	€
Loan from parent company	1,323,189	2,139,193
	<u>1,323,189</u>	<u>2,139,193</u>

Interest on loan from the parent company was charged at a rate of Libor plus .02%. The total loan outstanding at the 30 June 2005 is US\$ 1,600,000 (2004: US\$2,600,000). All interest payable at 30 June 2005 had been paid.

15. CALLED-UP SHARE CAPITAL	2005	2004
	€	€
Authorised:		
15,000,000 ordinary shares of €1 each	15,000,000	15,000,000
	<u>15,000,000</u>	<u>15,000,000</u>
Allotted, Called-Up and Fully Paid:		
1,000,000 ordinary shares of €1 each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

CHAMPION PRODUCTS EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital €	Profit and Loss Account €	Total €
Opening shareholders' funds	1,000,000	4,475,937	5,475,937
Loss retained for the year	-	(1,071,674)	(1,071,674)
Foreign exchange adjustment to branch	-	43,652	43,652
Closing shareholders' funds	<u>1,000,000</u>	<u>3,447,915</u>	<u>4,447,915</u>

17. PENSIONS

The company operates a defined contribution scheme for all of its employees. Total pension costs amounted to € 59,430 (2004: €56,510). The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions paid by the company to the fund.

18. CASH FLOW STATEMENT

In accordance with FRS 1 a cash flow statement is not prepared as the cashflows of the company are disclosed in the consolidated financial statements of the parent company.

19. COMMITMENTS

Operating Lease commitments:

Annual commitments exist under non-cancellable operating leases as follows:

	Land and Buildings €	Motor Vehicle €	Total €
Within 1 year	-	-	-
Within 2 - 5 years	335,764	11,555	347,319
Over 5 years	214,391	-	214,391
	<u> </u>	<u> </u>	<u> </u>

CHAMPION PRODUCTS EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)**

20. RELATED PARTY TRANSACTIONS

The company has availed of the exemption under FRS 8 from disclosure of inter-group related party transactions.

21. GROUP MEMBERSHIP

Champion Products Europe Limited is a wholly owned (100%) subsidiary of Champion Europe SPA, a company registered in Italy. The ultimate parent company and ultimate controlling party is Champion Europe SPA. The parent company of the largest and smallest group for which group financial statements are prepared and of which the company is a member is Champion Europe SPA.

Copies of the consolidated financial statements may be obtained from Champion Europe SPA via Ferrari 2, 41011, Campogalliano (Modena) Italy.